

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Bridgman Public School District</b>	County <b>Berrien</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>9/30/04</b>	Date Accountant Report Submitted to State: <b>10/21/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                                                                     |                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.                                                                                                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).                                                                                                                                                                                                      |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).                                                                                                                                                                                                                |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.                                                                                                                                                                                                                     |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).                                                                                                                                                                                                         |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).                                                                                                                                                                                                                                |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>McMurray, Marks and Edmunds</b>			
Street Address <b>805 Van Brunt</b>	City <b>St. Joseph</b>	State <b>MI</b>	ZIP <b>49085</b>
Accountant Signature 		Date <b>10/21/04</b>	

BRIDGMAN PUBLIC SCHOOL DISTRICT

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

June 30, 2004

**BRIDGMAN PUBLIC SCHOOL DISTRICT**  
**Bridgman, Michigan**  
**June 30, 2004**

**BOARD OF EDUCATION**

		<u>Term Expires</u>
James Stine, Jr.	President	June 30, 2004
Joellen Kamp	Vice President	June 30, 2004
Kerry Pribyl	Secretary	June 30, 2005
Gregory Wardecke	Treasurer	June 30, 2006
Lisa Kiewel	Trustee	June 30, 2007
Alfred Ottusch	Trustee	June 30, 2007
Richard Fodor	Trustee	June 30, 2005

**SUPERINTENDENT**

Kevin M. Ivers	June 30, 2007
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**BUSINESS MANAGER**

Craig Harley	June 30, 2006
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## **Independent Auditor's Report**

Board of Education  
Bridgman Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bridgman Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgman Public School District as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


As described in Note 1, Bridgman Public School District has implemented a new financial reporting model, as required by Government Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and page 29 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bridgman Public School District basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

## **Independent Auditor's Report — Concluded**

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2004, on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



McMurray, Marks & Edmunds  
September 30, 2004



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of the  
Bridgman Public School District

We have audited the financial statements of Bridgman Public School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bridgman Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bridgman Public School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bridgman Public School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows: The District lacks an appropriate segregation of duties consistent with appropriate control objectives. We understand this is primarily due to financial constraints.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Bridgman Public School District in a separate letter dated September 30, 2004.

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL - CONCLUDED**

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "McMurray, Marks & Edmunds".

McMurray, Marks & Edmunds  
September 30, 2004



Bridgman Public School District, a K-12 School District located in Berrien County, Michigan, adopted the provisions of Governmental Accounting Standards Board Statement 34 ("GASB 34") with the enclosed financial statements during the current year. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2004 of the management of Bridgman Public School District ("the School District").

Generally accepted accounting principles ("GAAP") and GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

### **Fund Financial Statements**

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: 1986 Building and Site and Public Improvement Funds and the School Service Funds which are comprised of: Food Service, Athletics and Recreation Funds.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

### **District Wide Financial Statements**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

### **The School District as Trustee — Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These are excluded activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Agency Fund is an unbudgeted fund that accounts for the activities of student groups and other types of clearing accounts.

**Summary of Net Assets**

The District had \$7,740,310 in net assets as of June 30, 2004. The net assets of the District as of June 30, 2004, is summarized in the table below:

**Assets:**

Cash and cash equivalents	\$ 2,611,677
Receivables	720,141
Net capital assets	5,205,626
Other assets	44,288
	<u>\$ 8,581,732</u>

**Liabilities:**

Accounts payable and other accrued liabilities	<u>\$ 841,422</u>
------------------------------------------------	-------------------

**Net Assets:**

Investment in capital assets - net of related debt	\$ 5,205,626
Restricted for:	
Capital projects	563,456
Other	44,288
Unrestricted	1,926,940
<b>Total Net Assets</b>	<u><u>\$ 7,740,310</u></u>

**Analysis of Financial Position**

During fiscal year ended June 30, 2004, the District's net assets decreased by \$340,609. A few of the significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The District's expenditures from General Fund operations exceeded revenues by \$208,259 for the fiscal year ended June 30, 2004. See the section entitled Results of Operations, below, for further discussion of General Fund operations.

**Analysis of Financial Position, Concluded****B. Net Investment in Capital Assets (concluded)**

The District's net investment in capital assets increased by \$236,181 during the year. The net activity for the year is summarized in the following table:

	Balance			Balance
	July 1, 2003	Additions	Deletions	June 30, 2004
Capital Assets	\$ 11,421,405	\$ 531,716	\$ (166,398)	\$ 11,786,723
Less: accumulated depreciation	<u>(6,451,960)</u>	<u>(295,535)</u>	<u>166,398</u>	<u>(6,581,097)</u>
Net investment capital outlay	<u>\$ 4,969,445</u>	<u>\$ 236,181</u>	<u>\$ -</u>	<u>\$ 5,205,626</u>

This year, the School District's additions of \$531,716 in capital assets included vehicles, cafeteria equipment, and building renovations. No significant capital additions are planned for 2004-2005. The School District owns no infrastructure assets.

**Results of Operations**

The District-wide results of operations for the fiscal year ended June 30, 2004 is summarized in the table below:

	June 30, 2004
<b>Revenues:</b>	
General Revenues:	
Property taxes levied for general operations	\$ 4,877,940
Property taxes levied for recreational purposes	693,086
State of Michigan unrestricted foundation aid	3,122,105
Other general revenues	45,051
Total general revenues	<u>\$ 8,738,182</u>
Operating Grants:	
Federal	\$ 208,313
State of Michigan	27,669
Other operating grants	144,947
Total operating grants	<u>\$ 380,929</u>
Charges for Services:	
Food service	\$ 187,506
Athletics	60,992
Other charges for services	89,145
Total charges for services	<u>\$ 337,643</u>
Total revenues	<u>\$ 9,456,754</u>
<b>Expenses:</b>	
Instruction and instructional support	\$ 5,641,961
Support services	2,734,396
Food service	289,257
Recreation	548,888
Athletics	287,326
Depreciation	295,535
Total expenses	<u>\$ 9,797,363</u>
<b>Increase in Net Assets</b>	<u>\$ (340,609)</u>
<b>Beginning Net Assets</b>	<u>8,080,919</u>
<b>Ending Net Assets</b>	<u><u>\$ 7,740,310</u></u>

**A. State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan unrestricted aid is determined by the following variables:

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 80 percent of current year fall count and 20 percent of prior year winter count, and
3. The District's non-homestead levy.

**Per Student Foundation Allowance**

Annually, the State of Michigan sets the per student foundation allowance. The Bridgman Public School District' net foundation allowance for the fiscal year 2004 was \$7,926 per student. This net amount includes the \$74 per student cut due to a governor's executive order prior to the fiscal year. This net amount decreased by \$32 or .4 % over the District's 2002-2003 foundation allowance of \$7,958 per student.

**Student Enrollment**

The District's student enrollment for the fall count of 2003-2004 was 1,017 students. The District's enrollment increased slightly from the prior year's student count. The following summarizes fall student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2003-2004	1017	13
2002-2003	1004	27
2001-2002	1031	9
2000-2001	1022	82
1999-2000	940	(29)

Subsequent to year end June 30, 2004, preliminary student enrollments for 2004-2005 indicate that enrollments may increase by about 10 students from 2003-2004.

**B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)**

The District levies approximately 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property levy for the 2003-2004 fiscal year was \$4,873,609. The non-homestead tax levy increased by 4.2 percent over the prior year.

**BRIDGMAN PUBLIC SCHOOL DISTRICT****MANAGEMENT'S DISCUSSION AND ANALYSIS****B. Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), concluded**

The following summarizes the District's non-homestead levy over the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Increase from Prior Year</u>
2003-2004	4,873,609	4.2%
2002-2003	4,679,290	(3.0)%
2001-2002	4,824,549	1.3%
2000-2001	4,761,261	(10.4)%
1999-2000	5,316,045	1.3%

1.32% Average Decrease

**C. Recreation Fund**

The District's recreation fund levies are based on the taxable valuation of all properties: homestead and non-homestead. The recreation fund levy is used to maintain community pool and other recreation facilities in District.

For 2003-2004, the District's recreation millage levy was 1.00 mills that generated a levy of \$693,086.

**D. Food Sales to Students & Adults (School Lunch Program)**

The District's food and milk sales to students and adults increased by \$8,284 to \$187,506 from the prior school year. School lunch prices increased .10 while milk prices were unchanged from the prior year.

The total expenditures from Food Service operations exceeded total revenues for the year by \$924.

**General Fund Expenditures Budget Vs. Actual—Five Year History**

	Expenditures Preliminary Budget	Expenditures Final Budget	Expenditures Final Audit	Variance: Audit vs. Prelim. Budget	Variance: Audit vs. Final Budget
2003-2004	8,608,045	8,753,396	8,651,156	(0.50)%	1.18%
2002-2003	8,881,008	8,867,618	8,827,379	0.60%	0.45%
2001-2002	8,473,231	8,520,718	8,609,184	(1.60)%	(1.04)%
2000-2001	7,266,382	8,104,954	8,171,951	(12.46)%	(0.83)%
1999-2000	7,767,363	7,845,654	7,712,330	0.71%	1.70%
	Five Year Average (Over/-Under) Budget			(2.65)%	0.29%

**General Fund Revenues Budget Vs. Actual—Five Year History**

	Revenues Preliminary Budget	Revenues Final Budget	Revenues Final Audit	Variance: Audit vs. Prelim. Budget	Variance: Audit vs. Final Budget
2003-2004	8,375,002	8,456,191	8,442,897	0.81%	(0.16)%
2002-2003	8,716,638	8,407,156	8,317,737	(4.58)%	(1.06)%
2001-2002	8,437,662	8,483,696	8,452,684	0.18%	(0.37)%
2000-2001	7,495,445	8,122,903	8,143,863	8.65%	0.26%
1999-2000	7,429,509	7,285,195	7,365,030	(0.87)%	1.09%
	Five Year Average (Over/-Under) Budget			0.84%	(0.05)%

**Original vs. Final Budget**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Bridgman Public School District amends its budget during the school year. For fiscal year June 30, 2004, the budget was amended in April and June of 2004. The June 2004 budget amendment was the final budget for the fiscal year.

**Contacting the District's Financial Management**

The financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. Additional comparative analysis will be provided in future years when prior year information is available. If you have questions about this report or need additional information, please contact the Business Office at Bridgman Public School District.

**BRIDGMAN PUBLIC SCHOOL DISTRICT****STATEMENT OF NET ASSETS  
JUNE 30, 2004  
Governmental  
Activities****Assets****Current assets:**

Cash and investments	\$ 2,611,677
Receivables	6,489
Due from other governmental units	713,652
Inventories	24,147
Prepaid expenditures	20,141
Total current assets	<u>\$ 3,376,106</u>

**Noncurrent assets:**

Capital assets	11,786,723
Less: accumulated depreciation	(6,581,097)
Total noncurrent assets	<u>\$ 5,205,626</u>

**Total Assets**\$ 8,581,732**Liabilities****Current liabilities:**

Accounts payable	\$ 213,880
Accrued payroll and other liabilities	609,542
Provision for uncollectible taxes	18,000
Total current liabilities	<u>\$ 841,422</u>

**Net Assets**

Investment in capital assets - net of related debt	\$ 5,205,626
Restricted for:	
Capital projects	563,456
Other	44,288
Unrestricted	1,926,940

**Total Net Assets**\$ 7,740,310**Total Liabilities and Net Assets**\$ 8,581,732

*See accompanying notes to the financial statements.*



**BRIDGMAN PUBLIC SCHOOL DISTRICT**STATEMENT OF ACTIVITIES  
JUNE 30, 2004

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants/ Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Assets</b>
Primary government -				
Governmental activities:				
Instruction	\$ 5,641,961	\$ 70,941	\$ 261,386	\$ (5,309,634)
Support services	2,699,197	-	34,316	(2,664,881)
Food services	289,257	187,506	85,227	(16,524)
Recreation	548,888	18,204	-	(530,684)
Athletics	287,326	60,992	-	(226,334)
Depreciation (unallocated)	295,535	-	-	(295,535)
	<u>\$ 9,762,164</u>	<u>\$ 337,643</u>	<u>\$ 380,929</u>	<u>\$ (9,043,592)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 4,877,940
Property taxes, levied for recreational purposes				693,086
State aid not restricted to specific purposes				3,122,105
Interest and investment earnings				31,045
Other				<u>14,006</u>
				<u>\$ 8,738,182</u>
<b>Change in Net Assets</b>				<b>\$ (305,410)</b>
<b>Net Assets - beginning of year</b>				<u><b>8,080,919</b></u>
<b>Net Assets - end of year</b>				<u><u><b>\$ 7,775,509</b></u></u>

*See accompanying notes to the financial statements.*

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>1986 Building and Site Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 1,770,293	\$ 382,758	\$ 458,626	\$ 2,611,677
Receivables	4,412	-	2,077	6,489
Due from other governmental units	713,652	-	-	713,652
Due from other governmental funds	2,285	-	7,815	10,100
Inventories	21,816	-	2,331	24,147
Prepaid expenditures	20,141	-	-	20,141
<b>Total Assets</b>	<u>\$ 2,532,599</u>	<u>\$ 382,758</u>	<u>\$ 470,849</u>	<u>\$ 3,386,206</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 69,381	\$ 144,471	\$ 28	\$ 213,880
Accrued salaries and withholdings	596,274	-	13,268	609,542
Provision for uncollectible taxes	18,000	-	-	18,000
Due to other governmental funds	7,815	-	2,285	10,100
<b>Total Liabilities</b>	<u>\$ 691,470</u>	<u>\$ 144,471</u>	<u>\$ 15,581</u>	<u>\$ 851,522</u>
<b>Fund Balance</b>				
Reserved for inventories	\$ 21,816	\$ -	\$ 2,331	\$ 24,147
Reserved for prepaids	20,141	-	-	20,141
Reserved for capital projects	-	238,287	325,169	563,456
Board designation	198,373	-	-	198,373
Unreserved and undesignated	1,600,799	-	-	1,600,799
Unreserved and undesignated - food service	-	-	8,084	8,084
Unreserved and undesignated - recreation	-	-	119,288	119,288
Unreserved and undesignated - athletics	-	-	396	396
<b>Total Fund Balance</b>	<u>\$ 1,841,129</u>	<u>\$ 238,287</u>	<u>\$ 455,268</u>	<u>\$ 2,534,684</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,532,599</u>	<u>\$ 382,758</u>	<u>\$ 470,849</u>	<u>\$ 3,386,206</u>

*See accompanying notes to the financial statements.*

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

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**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS  
JUNE 30, 2004**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,534,684</b>
-------------------------------------------------	---------------------

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

Cost of the capital assets	11,786,723
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Accumulated depreciation	<u>(6,581,097)</u>
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<b>Total net assets - Governmental activities</b>	<b><u>\$ 7,740,310</u></b>
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*See accompanying notes to the financial statements.*

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>1986 Building and Site Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ 4,877,940	\$ -	\$ 693,086	\$ 5,571,026
Local sources	84,947	-	266,702	351,649
State sources	3,137,975	-	11,799	3,149,774
Federal sources	134,885	-	73,428	208,313
Interdistrict sources	144,947	-	-	144,947
Earnings on investments	15,246	10,725	5,074	31,045
<b>Total Revenues</b>	<u>\$ 8,395,940</u>	<u>\$ 10,725</u>	<u>\$ 1,050,089</u>	<u>\$ 9,456,754</u>
<b>Expenditures</b>				
Current:				
Instruction and Instructional support services	\$ 5,475,569	\$ -	\$ -	\$ 5,475,569
Supporting services	2,693,913	-	1,125,471	3,819,384
Debt service	5,284	-	-	5,284
Capital outlay	35,199	393,920	102,597	531,716
Intergovernmental payments	166,392	-	-	166,392
<b>Total Expenditures</b>	<u>\$ 8,376,357</u>	<u>\$ 393,920</u>	<u>\$ 1,228,068</u>	<u>\$ 9,998,345</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>\$ 19,583</u>	<u>\$ (383,195)</u>	<u>\$ (177,979)</u>	<u>\$ (541,591)</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	\$ 46,957	\$ -	\$ 239,600	\$ 286,557
Operating transfers out	(239,600)	-	(46,957)	(286,557)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (192,643)</u>	<u>\$ -</u>	<u>\$ 192,643</u>	<u>\$ -</u>
<b>Net Change in Fund Balances</b>	<u>\$ (173,060)</u>	<u>\$ (383,195)</u>	<u>\$ 14,664</u>	<u>\$ (541,591)</u>
<b>Fund Balances - Beginning of year</b>	<u>2,049,388</u>	<u>621,482</u>	<u>440,604</u>	<u>3,111,474</u>
<b>Fund Balances - End of year</b>	<u><u>\$ 1,876,328</u></u>	<u><u>\$ 238,287</u></u>	<u><u>\$ 455,268</u></u>	<u><u>\$ 2,569,883</u></u>

*See accompanying notes to the financial statements.*

**BRIDGMAN PUBLIC SCHOOL DISTRICT****RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$ (541,591)

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures;  
in the statement of activities, these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense (295,535)

Capital outlay 531,716

Total \$ 236,181

**Change in Net Assets of Governmental Activities** \$ **(305,410)**

*See accompanying notes to the financial statements.*

**BRIDGMAN PUBLIC SCHOOL DISTRICT****STATEMENTS OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<b><u>Agency Fund- Student Activities</u></b>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>71,409</u>
<b>Liabilities:</b>	
Due to student groups	\$ <u>71,409</u>

*See accompanying notes to the financial statements.*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Bridgman Public School District (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board ("GASB") for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

**District Wide and Fund Financial Statements**

The District-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**District-Wide Statements** — The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**District-Wide Statements (concluded)** — Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund Based Statements** — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

**The General Fund** is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

**1986 Building & Site Fund** was established for the purpose of purchasing sites for, and construction or repair of school buildings. The fund was established in 1986 and was funded with tax levies in 1986, 1987, and 1988.

Additionally, the government reports the following fund types:

**The School Service Funds** are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic, Recreation and Food Services Funds.

**The Public Improvement** is the fund that accounts for the funds transferred from general fund (in prior years) for the purpose of acquiring, constructing, extending, altering, repairing or equipping public improvements or buildings.



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fiduciary Funds** are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Agency Funds** — The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** — Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** — In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For Bridgman Public School District taxpayers in the city of Bridgman and Lake Charter, Baroda, and Lincoln Townships, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes which are due September 15. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state’s School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories and Prepaid Items** — Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory and deferred revenue until used.

**Inventories and Prepaid Items (concluded)** — Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements

**Capital Assets** — Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The school district does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

**Compensated Absences** — Employees are allowed to accrue varying amounts of sick leave each year depending on employee classification. However, no liability for unused sick leave is accrued as such amounts cannot be reasonably estimated as compensation for future absences are contingent upon absences being caused by future illness. Vacation accruals have been recorded in the financial statements for those employees who earn and are allowed to accrue and be paid for unused vacation upon termination.

**Fund Equity** — In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data** — Comparative data is not included in the district's financial statements.

**Estimates** — The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses.

JUNE 30, 2004

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**Accounting Change** — Effective July 1, 2003, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* ("GASB 34"). Changes to the School District's financial statements as a result of GASB 34 are as follows:

A Management's Discussion and Analysis ("MD&A") section providing analysis of the School District's overall financial position and results of operations has been included.

District-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the School District's activities have been provided.

The following table summarizes the differences between fund balance as reported in the prior year financial statements and the beginning net assets as reported in the Statement of Activities.

<b>Total Prior Year Fund Balances - Governmental Funds</b>	<b>\$ 3,111,474</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Cost of the capital assets	11,421,405
Accumulated depreciation	(6,451,960)
<b>Total prior year net assets - Governmental activities</b>	<b>\$ 8,080,919</b>

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles and state law for the major funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. The 1986 Building and Site fund was not legally required to adopt a budget and as a result the requirement to present budgetary comparison information is eliminated.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The school district had expenditures that exceeded appropriations in the following budgeted functions:

Instructional – Compensating Education	\$ 70,160
Instructional – Vocational Education	28,244
Supporting Services – Guidance	3,403
Supporting Services – Business Services	19,026
Debt Service	5,284

**NOTE 3. DEPOSITS AND INVESTMENTS**

At year-end, the school district's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 2,611,677	\$ 71,409	\$ 2,683,086

The breakdown between deposits and investments for the school district is as follows:

Deposits (checking and savings accounts)	\$ 398,176
Money Market	2,283,795
Petty cash and cash on hand	1,115
	<u>\$ 2,683,086</u>

The deposits of the School District were reflected in the accounts of the Financial Institution at \$2,788,599, of which \$224,875 is covered by federal depository insurance. The remainder of the deposits were uninsured and uncollateralized.

State statutes and the School District's investment policy authorize the district to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the district is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

**NOTE 4. RECEIVABLES AND PAYABLES**

Receivables as of year-end for the School District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	1986 Building and Site Fund	Nonmajor and Other Funds	Total
Receivables:				
Intergovernmental	\$ 713,652	\$ -	\$ -	\$ 713,652
Trade	4,412	-	2,077	6,489
	<u>\$ 718,064</u>	<u>\$ -</u>	<u>\$ 2,077</u>	<u>\$ 720,141</u>

Payables as of year-end for the School District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	1986 Building and Site Fund	Nonmajor and Other Funds	Total
Payables:				
Trade	\$ 69,381	\$ 144,471	\$ 28	\$ 213,880

**NOTE 5 CAPITAL ASSETS**

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Assets not being depreciated:				
Land	\$ 151,100	\$ -	\$ -	\$ 151,100
Capital assets being depreciated:				
Building and building improvements	\$ 9,685,730	\$ 435,694	\$ -	\$ 10,121,424
Land improvements	438,252	-	-	438,252
Buses and other vehicles	766,347	67,322	(166,398)	667,271
Furniture and equipment	379,976	28,700	-	408,676
Subtotal	<u>\$ 11,270,305</u>	<u>\$ 531,716</u>	<u>\$ (166,398)</u>	<u>\$ 11,635,623</u>
Accumulated depreciation:				
Building and building improvements	\$ 5,410,769	\$ 196,466	\$ -	\$ 5,607,235
Land improvements	271,888	21,912	-	293,800
Buses and other vehicles	475,965	54,786	(166,398)	364,353
Furniture and equipment	293,338	22,371	-	315,709
Subtotal	<u>\$ 6,451,960</u>	<u>\$ 295,535</u>	<u>\$ (166,398)</u>	<u>\$ 6,581,097</u>
Net capital assets being depreciated	<u>\$ 4,818,345</u>			<u>\$ 5,054,526</u>
Net capital assets	<u>\$ 4,969,445</u>			<u>\$ 5,205,626</u>

Depreciation expense was not charged to activities as the district considers its assets to impact multiple activities and allocation is not practical.

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The general fund transfers monies to the athletic and food service funds to subsidize athletic and food service activities.

The composition of interfund balances is as follows:

**Due To/From Other Funds:**

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 7,815
General Fund	Other Governmental Funds	\$ 2,285

**Interfund Transfers:**

Transfer In:	Transfer Out:	Amount
Other Governmental Funds	General Fund	\$ 239,600
General Fund	Other Governmental Funds	\$ 46,957

**NOTE 7. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims, workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 8. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

**NOTE 8. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS, (CONCLUDED)**

The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2004, 2003, and 2002 were \$713,704, \$711,082, \$662,910, respectively.

**Post Employment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

**NOTE 9. PROVISION FOR UNCOLLECTIBLE PROPERTY TAXES**

The Berrien County Treasurer's office assumes the responsibility of collecting delinquent real and personal property taxes. The County advances real property taxes in anticipation of collection, but it remits delinquent personal property taxes as it receives payment.

The Bridgman Public School District has been advised that it is responsible for repayment to the County, plus interest, of any uncollectible real property taxes.

Accordingly, a provision for uncollectible real property taxes has been established to provide for such a repayment to the County.

**NOTE 10. FUND BALANCE DESIGNATION**

A portion of the general fund has been designated for a budgeted excess of expenditures over revenues for fiscal year ending June 30, 2004 totaling \$198,373.

**NOTE 11. OTHER BENEFITS**

In addition to the pension benefits described in Note 8, the School District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The School District is also able to offer a tax deferred "buy-in" program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee's contribution was calculated based on the previous year's salary and age.

**NOTE 12. RECONCILIATION WITH R7120**

The following reconciles the current year federal revenues reported with the R7120:

	<u>Amount</u>
Federal Sources per General Fund	\$ 134,885
Federal Sources per School Service Fund	<u>73,428</u>
	\$ 208,313
Less:	
Items passed through B.C.I.S.D.	(10,068)
Food distribution commodities	(13,984)
Federal revenue in current year accounts receivable	(131,921)
Plus:	
State Grant Project #036650	15,870
Federal revenue in prior year accounts receivable	<u>120,515</u>
Current year receipts reported on the R7120	<u><u>\$ 188,725</u></u>

**NOTE 13. OPERATING LEASES**

The District leases various office equipment under operation leases expiring over periods ranging from fiscal year ends 2005 – 2009.

2005	\$ 20,573
2006	20,400
2007	20,400
2008	20,400
2009	<u>8,115</u>
	<u><u>\$ 89,888</u></u>

Total expense for 2003 was \$12,442.



**REQUIRED SUPPLEMENTAL  
INFORMATION**

**BRIDGMAN PUBLIC SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY SCHEDULE  
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND  
JUNE 30, 2004

	Original Budget	Final Amended Budget	Actual
<b>Revenues</b>			
Property taxes	\$ 4,682,627	\$ 4,886,137	\$ 4,877,940
Local sources	110,840	96,935	84,947
State sources	3,313,049	3,125,972	3,137,975
Federal sources	123,529	139,084	134,885
Interdistrict sources	73,000	136,106	144,947
Earnings on investments	25,000	25,000	15,246
<b>Total Revenues</b>	<u>\$ 8,328,045</u>	<u>\$ 8,409,234</u>	<u>\$ 8,395,940</u>
<b>Expenditures - Current</b>			
Instruction:			
Basic programs	\$ 4,320,027	\$ 4,404,167	\$ 4,333,938
Added needs	1,039,705	1,063,055	1,141,631
Adult and continuing education	-	-	-
Supporting services:			
Pupil	116,077	113,509	113,386
Instructional staff	271,149	263,565	229,733
General administration	191,956	205,362	201,628
School administration	620,353	625,067	616,217
Business services	286,012	285,108	304,134
Operations and maintenance	969,190	986,526	935,299
Transportation	331,399	332,396	328,715
Community services	-	-	-
Debt service	-	-	5,284
Capital outlay	35,199	35,199	35,199
Intergovernmental payments	175,575	188,039	166,392
<b>Total Expenditures</b>	<u>\$ 8,356,642</u>	<u>\$ 8,501,993</u>	<u>\$ 8,411,556</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>\$ (28,597)</u>	<u>\$ (92,759)</u>	<u>\$ (15,616)</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	\$ 46,957	\$ 46,957	\$ 46,957
Operating transfers out	<u>(251,403)</u>	<u>(251,403)</u>	<u>(239,600)</u>
<b>Total other financing sources (uses)</b>	<u>\$ (204,446)</u>	<u>\$ (204,446)</u>	<u>\$ (192,643)</u>
<b>Net Change in Fund Balances</b>	\$ (233,043)	\$ (297,205)	\$ (208,259)
<b>Fund Balances - Beginning of year</b>	2,049,388	2,049,388	2,049,388
<b>Fund Balances - End of year</b>	<u><u>\$ 1,816,345</u></u>	<u><u>\$ 1,752,183</u></u>	<u><u>\$ 1,841,129</u></u>

**OTHER SUPPLEMENTAL  
INFORMATION**

**BRIDGMAN PUBLIC SCHOOL DISTRICT****COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS****JUNE 30, 2004**

	<b>Athletics Fund</b>	<b>Recreation Fund</b>	<b>Food Services Fund</b>	<b>Public Improvement Fund</b>	<b>Total Non- Major Govern- mental Funds</b>
<b>Assets</b>					
Cash and investments	\$ 6,090	\$ 127,103	\$ 264	\$ 325,169	\$ 458,626
Receivables	-	-	2,077	-	2,077
Due from other governmental units	-	-	-	-	-
Due from other governmental funds	1,000	-	6,815	-	7,815
Inventories	-	-	2,331	-	2,331
Prepaid expenditures	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 7,090</b>	<b>\$ 127,103</b>	<b>\$ 11,487</b>	<b>\$ 325,169</b>	<b>470,849</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 28	\$ -	\$ -	\$ 28
Accrued salaries and withholdings	6,694	5,502	1,072	-	13,268
Due to other governmental funds	-	2,285	-	-	2,285
<b>Total Liabilities</b>	<b>\$ 6,694</b>	<b>\$ 7,815</b>	<b>\$ 1,072</b>	<b>\$ -</b>	<b>\$ 15,581</b>
<b>Fund Balance</b>					
Reserved for inventories	\$ -	\$ -	\$ 2,331	\$ -	\$ 2,331
Reserved for prepaids	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital projects	-	-	-	325,169	325,169
Unreserved and undesignated	-	-	-	-	-
Unreserved and undesignated - food service	-	-	8,084	-	8,084
Unreserved and undesignated - recreation	-	119,288	-	-	119,288
Unreserved and undesignated - athletics	396	-	-	-	396
<b>Total Fund Balance</b>	<b>\$ 396</b>	<b>\$ 119,288</b>	<b>\$ 10,415</b>	<b>\$ 325,169</b>	<b>\$ 455,268</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 7,090</b>	<b>\$ 127,103</b>	<b>\$ 11,487</b>	<b>\$ 325,169</b>	<b>\$ 470,849</b>

**BRIDGMAN PUBLIC SCHOOL DISTRICT**COMBINING INCOME STATEMENT – NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004

	<b>Athletics Fund</b>	<b>Recreation Fund</b>	<b>Food Services Fund</b>	<b>Public Improvement Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>					
Property taxes	\$ -	\$ 693,086	\$ -	\$ -	\$ 693,086
Local sources	60,992	18,204	187,506	-	266,702
State sources	-	-	11,799	-	11,799
Federal sources	-	-	73,428	-	73,428
Interdistrict sources	-	-	-	-	-
Earnings on investments	-	135	-	4,939	5,074
<b>Total Revenues</b>	<b>\$ 60,992</b>	<b>\$ 711,425</b>	<b>\$ 272,733</b>	<b>\$ 4,939</b>	<b>1,050,089</b>
<b>Expenditures</b>					
Current:					
Instruction and Instructional support services	\$ -	\$ -	\$ -	\$ -	\$ -
Supporting services	287,326	548,888	289,257	-	1,125,471
Community services	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	-	-	-	102,597	102,597
Intergovernmental payments	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 287,326</b>	<b>\$ 548,888</b>	<b>\$ 289,257</b>	<b>\$ 102,597</b>	<b>\$ 1,228,068</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ (226,334)</b>	<b>\$ 162,537</b>	<b>\$ (16,524)</b>	<b>\$ (97,658)</b>	<b>\$ (177,979)</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	\$ 224,000	\$ -	\$ 15,600	\$ -	\$ 239,600
Proceeds from the issuance of bonds	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-
Principal	-	-	-	-	-
Interest and fees	-	-	-	-	-
Operating transfers out	-	(46,957)	-	-	(46,957)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 224,000</b>	<b>\$ (46,957)</b>	<b>\$ 15,600</b>	<b>\$ -</b>	<b>\$ 192,643</b>
<b>Net Change in Fund Balances</b>	<b>\$ (2,334)</b>	<b>\$ 115,580</b>	<b>\$ (924)</b>	<b>\$ (97,658)</b>	<b>\$ 14,664</b>
<b>Fund Balances - Beginning of year</b>	<b>2,730</b>	<b>3,708</b>	<b>11,339</b>	<b>422,827</b>	<b>440,604</b>
<b>Fund Balances - End of year</b>	<b>\$ 396</b>	<b>\$ 119,288</b>	<b>\$ 10,415</b>	<b>\$ 325,169</b>	<b>\$ 455,268</b>



To the Board of Education  
Bridgman Public School District  
Bridgman, Michigan 49106

As a regular part of our audit of the Bridgman Public School District, (the "District") for the year ended June 30, 2004, we reviewed the accounting and internal control procedures of the District that we considered relevant to the criteria established by the Michigan Department of Education. Based upon this review, we would like to make the following comments and recommendations:

*CURRENT YEAR'S RECOMMENDATIONS:*

**NONE**

*PRIOR YEAR'S RECOMMENDATIONS:*

**IMPLEMENTATION OF GASB STATEMENT NUMBER 34**

GASB #34 was implemented in the current year.

**HOLD HARMLESS MILLAGE**

The Bridgman Public School District is eligible to levy the Hold Harmless Millage, and should continue to evaluate on an annual basis the desirability of levying this millage.

We would be happy to discuss these recommendations and comments with you at your convenience. We would also like to express our appreciation for the courtesy and cooperation extended to us during the engagement.

This report is intended solely for the information and use of the Board of Education, management, and others within the School District.

*McMurray, Marks & Edmunds*

McMurray, Marks & Edmunds  
St. Joseph, Michigan  
September 30, 2004